

NEWS

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FOR IMMEDIATE RELEASE
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Florida Man Pleads Guilty in Stock Schemes That Swindled More Than \$20 Million From Investors

(More)

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CAMDEN – A Florida man pleaded guilty today to his role in two intricate stock fraud and money laundering schemes that cost public investors more than \$20 million in losses, U.S. Attorney Christopher J. Christie announced.

Joseph F. Morgan, 51, formerly of Stafford in Ocean County and now of St. Pete Beach, Fla., pleaded guilty before U.S. District Judge Jerome B. Simandle to a four-count Superseding Information that charges two counts of conspiracy to commit securities fraud and wire fraud and two counts of conspiracy to commit money laundering. Judge Simandle scheduled sentencing for Feb. 2, 2007 at 10:30 a.m.

At his plea hearing, Morgan admitted his involvement in securities and wire frauds involving the stocks of 16 publicly traded companies. Morgan admitted to being responsible for the theft of approximately \$10 million through stock price manipulations. Morgan also agreed to forfeit approximately \$3.5 million worth of property and assets.

Morgan and four co-conspirators were first charged in a federal indictment on Oct. 17, 2005. Morgan had served as independent auditor during the late 1990's for TeleServices Internet Group, Inc. (TSIG) and later performed capital-raising and promotion activities for the company.

Morgan admitted that beginning in December 1996 and continuing through October 2005, he operated a scheme, along with his co-defendants, other unindicted cooperating co-conspirators and others, which used deceptive and manipulative practices in connection with the fraudulent issuance, purchase and re-sale of shares of stock of TSIG, Phoenix Information Systems, Inc. (Phoenix) and Skylynx Communications, Inc. Each of the company's stock was publicly traded on the Over the Counter Electronic Bulletin Board System (OTC Bulletin Board).

Morgan admitted that the conspiracy involved the chairman of TSIG and Phoenix and at least three licensed securities brokers. Furthermore, Morgan admitted that three co-conspirators, who were not charged in the Indictment, included a securities attorney from Denver, Colo., a New Jersey securities broker who formerly owned the brokerage firm of DiMedio Kirchhoff & Co., and a Canadian securities broker employed at Union Securities in Vancouver, British Columbia.

Morgan admitted that he conspired with the individuals listed below to secretly gain control of nearly 100 million free-trading shares of TSIG stock and sold those shares in the public marketplace to unsuspecting investors.

- Robert P. Gordon, 56, of St. Petersburg, Fla., who was the major shareholder of TSIG and the company's CEO, CFO, chairman and director. Gordon was also the founder and chairman of Phoenix;

- Bernard Deutsch, 72, of Brooklyn, N.Y., who was the president and chairman of an entity called Lexus Partners, Ltd., with offices in Brooklyn. Deutsch also controlled two entities

called Basic Investments, Ltd. and IRA Group, Inc., both with offices in Brooklyn. Deutsch purportedly performed capital raising and promotion activities for TSIG;

- Thomas S. King, 48, of Cherry Hill, who was licensed to sell securities by the National Association of Securities Dealers (NASD). King was the broker on a stock brokerage account owned by Gordon and maintained at DiMedio Kirchhoff & Co., Inc.
- Robert Pozner, 62, of Ridgewood Park, N.J., who was licensed to sell securities by the NASD. During the time period alleged in the Indictment, Pozner was employed at various securities brokerage firms, including Investors Associates, Inc. and Glen Michael Financial, Inc., both New Jersey brokerage firms.
- Rhett Howard Kirchhoff, 41, of Upper Township, who was licensed to sell securities by the NASD. From 1995 until 1998, Kirchhoff owned and controlled DiMedio Kirchhoff & Co., Inc. and was an employee of the Kirchhoff Organization, Ltd. Both companies were registered securities brokerages with offices in Cherry Hill, Marlton and Ocean City.
- A Canadian identified only as Co-conspirator 1, who was employed at Union Securities in Vancouver.
- A securities attorney identified only as Co-conspirator 2, who had law offices in Denver.

The Superseding Information and a prior news release, dated Oct.17, 2005, concerning the Indictment can be found on the office web site at:
www.usdoj.gov/usao/nj/publicaffairs/index.html

In pleading guilty to a criminal Information, a defendant waives his right to be indicted by a grand jury and instead appears directly before a judge to plead guilty.

Counts One and Three charging conspiracy to commit securities and wire fraud each carry a statutory maximum prison sentence of 5 years and a fine of \$250,000 or twice the aggregate loss to the victims or gain to the defendants. Counts Two and Four charging conspiracy to commit money laundering each carry a statutory maximum prison sentence of 20 years and a fine of \$500,000 or twice the aggregate loss to the victims or gain to the defendants.

In determining an actual sentence, Judge Simandle will consult the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence.

Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

Gordon, Deutsch, Pozner and King are all free on bail pending trial, which is scheduled before Judge Simandle on Feb. 26, 2007. Each of the defendants is charged in Count One of the Indictment, which alleges a conspiracy to commit securities and wire fraud. Additionally, Gordon, Deutsch and King are charged in Count Two of the Indictment, which alleges a conspiracy to commit money laundering. Each count carries a maximum penalty of 20 years in prison and a fine of \$250,000 or twice the aggregate loss to the victims or gain to the defendants.

Kirchhoff pleaded guilty to an Information on March 13, 2006, and is awaiting sentencing.

Christie credited Special Agents of the FBI's Atlantic City Resident Agency, under the direction of Special Agent in Charge Leslie G. Wiser, Jr. in Newark, the IRS Criminal Investigation Division, under the direction of Special Agent in Charge Patricia J. Haynes, and the National Association of Securities Dealers, Washington, D.C., with the investigation.

The government is represented by Assistant U.S. Attorney R. Stephen Stigall of the Criminal Division in Camden.

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Defense Attorney: Anne F. Borghetti, Esq. St. Petersburg, Fla.